

New Hampshire Department of Revenue Administration

Fiscal Note Quick Guide

15-0189

SB 1-FN-A, *reducing the rate of the business profits tax.*

Senate Ways & Means Committee

Section 1 of this bill reduces the Business Profits Tax (BPT) rate from the current rate of 8.5% to 8.25%, effective on January 1, 2016 and applicable “. . .to returns and taxes due ... on account of taxable periods ending on or after January 1, 2016.”

Section 2 of this bill reduces the BPT rate from 8.25% to 8%, effective on January 1, 2018 and applicable “. . .to returns and taxes due ... on account of taxable periods ending on or after January 1, 2018.”

When deriving the estimated reduction in revenue due to a reduction of the BPT rate from 8.5% to 8%, the Department of Revenue Administration assumed that the BPT revenue estimate for FY2015 of \$340,500,000 would be the same for FY2016, FY2017, FY2018 and FY2019 and that there would be no future changes made by the Legislature to the BPT or Business Enterprise Tax laws.

There would be an indeterminable reduction in revenue for BPT revenues in FY2016 for 1st quarter Tax Year 2017 estimate payments and any fiscal year filers with a due date between March 16, 2016 and June 30, 2016.

Although the Department has estimated the possible reduction in BPT revenue as a result of the BPT rate reductions below, the Department is unable to apply the estimated impacts to a particular Fiscal Year (FY) due to the applicable start dates. The applicable “. . .to return and taxes due . . .on account of taxable periods ending on or after January 1 . . . ” effectively creates two different tax rates within a single fiscal year.

FY2015 Revenue Estimates (Budget) BPT: \$340,500,000

Estimated BPT Base: $\$340,500,000 \div 8.5\% = \$4,055,882,353$

Revised BPT Revenue with New Tax Rate of 8.25%: $\$4,055,882,353 \times 8.25\% = \$330,485,294$

Estimated Reduction of BPT Revenue from Reduction in BPT rate to 8.25%:
\$340,500,000 - \$330,485,294 = \$10,014,706

FY2015 Revenue Estimates (Budget) BPT: \$340,500,000

Estimated BPT Base: $\$340,500,000 \div 8.5\% = \$4,055,882,353$

Revised BPT Revenue with New Tax Rate of 8%: $\$4,055,882,353 \times 8\% = \$320,470,588$

Estimated Reduction in BPT Revenue from Reduction in BPT rate to 8%:

$\$340,500,000 - \$320,470,588 = \$20,029,412$

The Department notes that this proposed change would be administratively burdensome to the Department, taxpayers and tax practitioners because of the January 1 start dates. It would require computer programming updates to the Department's systems in order to accept two separate tax rates for the same tax year. Instructions and new forms with separate tax rates for the same year would need to be created to reflect the reduction in the BPT rates for calendar year filers and fiscal year filers. This bill could be administered by the Department, but with additional cost for programming, scanning and form and instruction changes.

The Department would suggest an applicability date of “. . . on or after December 31,” as 90% of taxpayers are calendar year filers with a period end date of December 31.